



**SUSTAINABLE URBAN DEVELOPMENT – ITS IMPACT
ON PROPERTY DEVELOPMENT AND LOCAL
AUTHORITY REVENUE**

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SUSTAINABLE URBAN DEVELOPMENT – ITS IMPACT ON PROPERTY DEVELOPMENT AND LOCAL AUTHORITY REVENUE

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1.0 INTRODUCTION

If we were asked to make a general statement on the effect of urban development on the value of the land and property, it could be quite simply stated that the spread of urban development tends to increase the values of adjoining and surrounding property. In every urban area, large or small, there tend to be a centre of high value, usually the centre of business and shopping district (Central Business District, CBD as being put forward by Burgess model on urban expansion) with a graduated scale of descending values spreading outwards from that centre. The extent of this urban influence depends very largely on the size of the urban centre, but there is difficulty in determining exactly how far the influence in terms of real property market in any particular case.

For the purpose of this paper, the author wish to highlight the effect of urban development of Kuala Lumpur City Centre. Metropolitan of Kuala Lumpur is said to take the form of a 'palm and finger' plan with one centre core (Central Business District) and a few radial corridors superimposed by new urban centres at the fringe areas. The city area is the focus of transport routes and competition for scarce space gives rise to peak land values. Such needed development tends to boost the developers motivation to develop properties within the city centre and sometimes up to the peripheries that it is not sustainable in terms of environment, economy and social wellbeing to people.

Adapted from the speech given by Tan Sri Hamzah Sendut at the British Town Planning Summer School at the University of York, England,

“Town Planning is being used as a means of making the urban environment of Kuala Lumpur liveable and pleasant whilst solving the development and environmental problems like the massive rural-urban migration and the politics of race in the country”.

Due to many developments that have been developed or proposed within its periphery areas has marked a new niche property market area that can be contributed to local authority incomes in terms of assessment rate in returns for services that is to be provided by the local authorities. The discussion will be based on Kuala Lumpur City Centre urban expansion towards its periphery areas and how development growth will give an impact towards local authority revenues.

In order for us to understand on the urban development and its implication towards the value of land and property towards local authorities income revenue, one should understand the urban behaviour and urban change towards population and urban centres. This paper will attempt in encompassing these main components:

- i. What is the factors that influence urban growth and urban change;
- ii. The urban influence on the value of land and property;
- iii. The implications of urban influence;
- iv. The effect of planning on land values.

2.0 KUALA LUMPUR

Kuala Lumpur or the Federal Territory has an area of 243 sq. km and is located in the centre of the Klang Basin. Kuala Lumpur is an urban conglomerate that is rapidly developing and today more than 70% of its area is developed. Kuala Lumpur development planning has given emphasis to housing, the city centre, satellite towns and areas for government administration, industry, institutes of learning, mining, parks and open spaces. There are plans to connect all these growth areas through an extensive and integrated transportation system.

Kuala Lumpur has undergone several stages of planning since the first plan was conceived, i.e. the Zoning Plan of 1931. This was superseded by the first Town Plan of 1939 which was in turn followed by the Town Plan of 1950. In 1967 a new master plan was introduced which consisted of a set of three plans, namely the Central Area Development Plan L886, the Residential Density Zoning Plan L887 and the Land-use Zoning Plan L888. In 1970 these three plans were modified and renumbered to become the Comprehensive Development

Plan No. 1039, 1040 and 1041. These plans covered the then Federal Capital area of 93 square kilometers (36 square miles). In 1973 the Federal Capital was enlarged to 243 square kilometers (94 square miles) by decree and was henceforth known as the Federal Territory.

Today urban planning for the city of Kuala Lumpur or the Federal Territory is based on the second Kuala Lumpur Structure Plan 2020 prepared for Dewan Bandaraya Kuala Lumpur. The plan is a written statement which contains the broad goals and objectives, policies and proposals pertaining to the development, landuse, the improvement of social, economic and physical environment and management of traffic within the Federal Territory. The current structure plan has a perspective period of 20 years up to the year 2020.

The planning of Kuala Lumpur is based on the premise of continuing population and economic growth adapted to the changes in the structure of economic activities of the Klang Valley. The principal concepts embodied in the plan are as follows:

- Hierarchy of urban centres: a definite concentration of physical and economic activities in the centre with ribbon developments along the major arteries leading into the city. The hierarchy are City Centre, Major Sub-centre, Intermediate Sub-centre and Local Centre.
- Variety of residential densities: In areas of high employment a higher density of residential population be located, and conversely, in areas where the environment has been well preserved a lower density of residential population be located.
- Restructuring of industries and industrial activity areas: Big and polluting industries be located away from Kuala Lumpur. Only non-basic industries such as workshops, repair services and food manufacturing serving the city residents are encouraged to be set up in Kuala Lumpur.
- Variety of open space: The provision of a comprehensive open space system be an integral part in the development plan of Kuala Lumpur. A system comprises a range from incidental, local to metropolitan open spaces.
- Efficient system of transportation: To reduce the current congestion during peak hours by ensuring a satisfactory flow of people and goods. A comprehensive transport system should be planned to ensure efficient and maximum mobility for people and goods.
- Comprehensive network and system of pedestrian movement: It is desirable that Kuala Lumpur plan for a comprehensive pedestrian movement system. Preferably the system should be designed to link public transportation terminals, major activities centres and open spaces.

This master plan forms for the basis for land-use in Kuala Lumpur in terms of zonations and other matters related to it.

3.0 URBAN GROWTH AND URBAN CHANGE

Almost every urban centre in Malaysia is currently growing and spreading. As for Kuala Lumpur City Centre, the extent of spreading are known to dispersal to north-west corridor (Kepong, Sg Buloh), north-east corridor (Karak Highway), south-west corridor (Petaling Jaya, Shah Alam) and south-east corridor (Serdang, Putrajaya, Seremban).

3.1 Population Growth and Demographic Change

The growth of Malaysian cities was a product of population increase and the changing economic structure especially after we gain independence in 1957. The percentage of urban population has increased from 34.2% or 4.75 million of the total population in 1980 to 51.1% or 9.47 million in 1991. This was also reflected in an increase in urban centres from 67 in 1980 to 129 in 1991. Malaysia changed to an urban society, with its transformation characterised by the concentration of growth in the existing centres of activities such as Klang Valley, Pulau Pinang and Johor Bahru.

Major capital cities in 12 states in Malaysia contribute to a substantial proportion of population growth. Increase in population has made various authorities to be responsible for the planning and management of the city resources (land, water etc) for various social project and to strengthen the existing socio-economy network such as affordable housing for the poor, adequate infrastructural facilities, educational facilities, cheap food to sustain quality living and sustaining the urban resources for the future needs.

This rapid, large scale urban growth was underpinned by both a general increase in the population and redistribution of the existing population from rural to urban areas (rural-urban migration). During 1991 – 1995, the urban population grew at a rate of 4.5 percent annually compared to an average annual growth rate of 2.7%. Although the rate of population increase has slowed down (current average annual growth at 2.1%) changing demographic trends and the changing structure of households means that there is an increasing demand for housing and other related activities concerning economy and social distribution.

Table 1: Urban population growth by state in 1991, 1995, 1997 and 2000

States/ Urbanization rate (%)	1991	1995	1997	2000
Johor	48.0	51.8	53.6	56.4
kedah	33.1	36.9	38.9	42.1
Kelantan	33.7	35.7	37.8	39.4
Melacca	39.4	44.0	46.3	49.8
Negeri Sembilan	42.5	44.7	45.8	47.6
Pahang	30.6	31.9	32.7	33.7
Perak	54.3	60.5	63.5	67.8
Perlis	75.3	80.6	83.0	86.1
Penang	75.3	80.6	83.0	86.1
Sabah	32.8	35.2	36.4	38.2
Sarawak	38.0	53.4	46.3	50.5
Selangor	75.0	82.6	85.7	89.4
Terengganu	44.6	45.1	45.3	45.7
Wilayah Persekutuan Kuala Lumpur	100.0	100.0	100.0	100.0
Average population growth for the country	51.1	54.7	55.1	58.8

Source: Economic Planning Unit, 2001

From the above table, it can be seen that population growth and changing in demographics would influence the needs for more housing to be developed and thus would create another niche sector or new property market area for local authorities in terms of assessment revenue.

3.2 Population Decentralisation

There has been a significant redistribution of the population and of economic activity. Many of the major cities in the world showed a decrease in population within inner cities where the decline in population was being driven by moves from the urban core to suburban locations or to its fringe areas. This general pattern of urban change reflected the process of economy redistribution and the process of industrial restructuring and alteration in the pattern of industrial location. Petaling Jaya, being a new town back in the 1960's, received an influx of population

and job seekers as major industries are being moved from Kuala Lumpur and such has made a tremendous urban change and growth within Kuala Lumpur and along Petaling Jaya and its peripheries.

The redistribution of the population was reinforced by changes to the transport network and by housing and planning policies. The expansion of new urban areas was aided by major improvements in the inter-urban road network. The planning system supported this by promoting urban containment and the development of new and expanded towns. The construction of Federal Highway is one of core evidence of showing greater urban growth from Kuala Lumpur to Klang, where the existence of this road network, has emerged the potential of new towns like Kelana Jaya, Subang Jaya, Puchong and Shah Alam.

Champion (2000) has suggest three possible explanations for the relocation of households away from the cities. The explanation are based on flights from the ills of the city; the lure of the countryside; and the inability of the cities to accommodate further growth. As Bramley (2000) observed the pattern of urban to rural migration is often conceived as planning problem. This implies to the failure of urban regeneration and waste of the potential of a city, increased pressure on environmental resources, greater infrastructure costs, greater car dependence and longer commuting distances. The selective out migration are mostly higher income groups, can worsen the existing population within inner cities (indicating that major inner cities are inhabited by low income group and most probably squatters). Out migration to peripheries indicates the population choices about quality of life, type of environment and housing preference and standards.

3.3 Changing Land Use Pattern

The pattern of land use in most towns in Malaysia shows no clear zonal characteristic compared to western cities. The centre is used for trade, business and residence. It has a high density of 60 – 200 per acre compared to 12-65 person per acre in the city periphery. But more people are drawn into its periphery due to dispersal of shopping facilities and the development of other employment centres. Land values have risen considerably, so that the central area remains a highly priced areas; the price of land in the central areas generally estimated at RM800 to RM1000 per square foot as compared to the similar commercial land values at its periphery, say in Shah Alam, estimates at RM60 per square foot.

The rise in population has made into peripheral expansion and internal reorganization of land use. Displacement of one use by another and the infilling of vacant sites are common features as more job opportunities are created. The expansion is manifested in housing estate and industries which in turn attract other related forms of development.

In the 1960's land-use in Kuala Lumpur began to be better planned and controlled. Squatter areas were redeveloped as business and commercial centres or organised residential areas. Several new industrial and business areas were developed in peripheral areas such as Petaling Jaya, Jalan Sungai Besi, Jalan Klang Lama, Jalan Cheras, Jalan Pahang and Jalan Ipoh. Zones for administration, education and similar services were set up along Jalan Duta, Jalan Tun Razak, Jalan Cheras and also in the Damansara area and recently all have been relocated to Putrajaya. Parks and open areas were planned and located in a more orderly fashion. Kuala Lumpur's rapid development made it necessary for forested, agricultural and ex-mining areas to be converted into residential, commercial and recreation zones.

3.4 Changing Spatial Economic Structures

These changes in household and employment location and land use are clearly impacting structures of Malaysian cities. The specific features of the changing structures and system are the switch from urbanisation to counter-urbanisation (movement from inner cities to its fringe or periphery) and the reduction in influence of the traditional central business district with the growth of centres in suburban and periphery locations, for example, the emergence of Petaling Jaya, Shah Alam and Putrajaya.

These trends have challenged the notion of monocentric patterns of economic organisation. The de-concentration of economic activity, facilitated by technological change, undermined the neo-classical economist in terms of rent gradient for location (Alonso rent gradient model) i.e the view that land and property prices decline with distance from the city centre, especially for residential location. It also challenge the believe that people would commute from out of town to city centres for all forms of economic activity (Anas et al, 1998). The changes of single income household to dual income household has changed the perception of housing areas with more selection on location, price, quality and equality environment with better facilities and amenities which later lead to better quality living among the population.

The recent trends indicate that business location is not a given factor to which population movements respond, but there is interaction between these two criteria. Household will now tend to select home location and then choose the jobs that are commutable from their home. If this is not possible to achieve, a good transportation network with highways and light rail transit (LRT) and commuter trains system will be handy for household to commute to their work place.

4.0 THE URBAN INFLUENCE AND IMPLICATION TOWARDS THE VALUE OF LAND AND PROPERTY

After understanding the factors urban growth and urban change due to urban development, let's take a look on what is the implications of the above factors in the value of land and property. For this paper, I have made referred into residential property market. In line with current property market, only residential property market is sustained and continue to have greater demand from population compared to commercial and industrial properties.

4.1 Economic Activity

Apart from the urban development that is continually spreading and growing, another factor affecting the extent of urban influence is the general level of economics activity with particular reference to the property market. In a period of property boom in which we have experienced in the past (1994 – 1997) before the world recession, developers spread even further in seeking to suitable sites for project development, but in times of recession the buyers withdraw and the outer circle of urban influence on price can shrink back towards the centre. Some of the example is the massive mass development of Bukit Beruntung and Bukit Sentosa by Talam Corporation. The aspect of building the site is due to speculation that the next national airport would be placed in northern areas plus other economic incentives such as being named for second proton city etc. The developers' price for double storey houses was somewhere from RM129,000 onwards back in 1994. However due to economy gluts (recession in 1997) and distance from the city (not to mention about the hike in toll and oil prices) have reduced the demand for the areas. Until now, if we look at the newspaper, lots of the houses within this areas are being put up for sale, or for auction even, encompassing a reserve price of much lower value (some asking for RM80,000) than what the initial developers' price.

This latter aspect of changes in the level of economy activity, more popularly seen as boom and bust, provides much of the stories and facts that lies in property market cycle. It tends to highlight some of the aspects and at the same time conceal other problems related to

the growth of urban centres. One of the problems is the inflation rate i.e one of the factors that we have to live with. Since we have accepted and lived with inflation, why should rising values for land and property cause any special problem? The answer is that the rate of increase in property prices exceeds the rate of inflation by a substantial margin. This can be seen in a number of statistics, but for this paper, I would highlight the case of inflation in urban development and rising economic activities towards property market.

Some of the indicators to show the influence of inflation towards property market are tabulated in Table 2 below.

Table 2: Influence of inflation in property market

Project Location	Developers	Original developers price	Current property values (2005)
Single storey in Taman Tun Dr Ismail	NA	RM25,000 in year 1960's	RM 400,000 to RM500,000 depending on renovation and extension
Small detached house in Damansara Heights	Selangor Properties	RM45,000 in 1960's	Easily valued at RM1,000,000 depending on the land size and location
Double storey low cost house in Petaling Jaya	private	RM25,000 in 1970's	Currently priced at RM250,000 per unit.
A low cost flat in Wangsa Maju	NA	RM25,000 in 1980 or 1985	Currently valued at RM65,000 to RM80,000 depending on the floors.
Small vacant plots for bungalow in Shah Alam	PKNS	RM 12 to RM 18 per square foot in year 1980's	Currently valued at RM 60 to RM80 depending on location.
Commercial areas within CBD (along Jalan Ampang	NA	Was valued at RM500 in 1994	Currently asking prices for prime commercial land at RM800 to RM1000, depending on location.

Sources : Jabatan Penilaian dan Perkhidmatan Harta and authors personal experience.

NA – Not available

The above shown that the land element of value has shot well ahead and outpaced the inflation by a very substantial margin. The conclusion is that one needs either to be much richer today in real terms in order to afford a house or property with garden (bungalow or detached plots) or have to settle with much smaller land elements for housing such as flats, apartments and condominium, depending on their economic scale and job opportunity.

4.2 Expectation and Aspiration in Property Ownership

Coming down the scale, due to rising in economy as well as inflation rate, a person who once wants to own a detached or semi-detached property, end up and be contented with a terrace house, and a former terrace house buyer may be priced out of the current market. When we associated this impact with the expectation and aspiration as one of the element of ego under Marlow hierarchy of human needs, towards house ownership, might be faced with the frustration due to prospect of market forces. The resulting social implications are not only serious but can be extremely dangerous.

4.3 Demand and Supply and Social Distribution

Due to urban development and obviously risen in economic and social status, may sometimes are not achievable by certain population and increase high tension for housing. Due to urban migration, has resulted into squatters problem. And again the social implication will supersede the management of urban cities. Under the studies made by researchers around the world, squatters, even though has positive value (John F. C. Turner, 1972) towards providing cheap labour and liveable within inner cities, however, tend to give more negative impacts towards the economy, social and resource development. The current migration has clearly risen the needs for housing in urban areas, but the current supply does not match by the established market. There is thus a growing number of squatters to satisfy their needs outside this established market. They tend to create slump areas and the land that they settled in may belong to private owner or government owned.

This will retard the possibilities of development within inner cities due to many problems associated with development of squatter area. Example of rebuilding the squatters areas is the development of Sentul area, where initially the area was inhabited by Keretapi Tanah Melayu (KTM) staff. Due to closeness of this area to CBD has resulted to high demand for the area, thus the uncontrolled urban sprawl has led to inorganised housing areas and infrastructure needed by the community. Again the squatters also posed a problem especially when they

build their shelter at the vacant site belonging to KTM. Uncontrolled development caused this area to be not favourable to some of high income group. The renewal development programme undertaken by Sentulraya Development Berhad has increased the facelift of Sentul areas. Many squatters areas been relocated and was offered to buy a low cost flat build in the areas.

4.4 Town Planning

First and foremost as one of the government agency that is responsible in developing urban sites, planning must take account into land values, particularly in relation to the density of development to be permitted. There is no point in planning low density housing on high value land since this will result to halt in development and nothing being built except if there is a special consent on development can be given. A perfect example is the development along Jalan Tun Razak, which currently site with few Embassy buildings and established office buildings. This is one of the strategic location where it is particularly convenient being between strategic office locations and the major diplomatic residential areas. If it is desired to see residential development, then it has to be high densities in order to justify the use of high value land for this purpose.

This in turn would create the compact cities where currently it is the most being talked about regarding planning for the cities. Compact cities are in line with the concept of sustainable development, where in order to curb unnecessary urban sprawl, mixed-use development and high density development shall be promoted among developers within the city. Another aspect that can be explored is the redevelopment of brownfield and derelict areas such as the older industrial estate of Jalan Chan Sow Lin in Kuala Lumpur. However, lots of limitations that is to be taken care of by authorities and developers especially regarding the land contamination possibilities and land tenure ownership.

4.5 The effect of urban road system on land values

One of the major land uses in urban areas is for publicly provided roads. As with most land uses, the short run of the supply of the resources and unwillingness of property owner to give up their land for road expansion. In relation to the increase in vehicle ownership and major roads available has seen a massive congestion and causing an extra and spillover costs for those who are living and working in the congested area. Hence, there are implications towards land and properties lying within and along the road networks. The value of privately owned land may be enhanced by changes in the pattern of public land use like road improvements or new

road construction. It arises from the heterogeneity characteristic of the land. Differences in the location of land influence the profitability of its use. Location is crucial to land use and value. Accessibility is the correct terms in explaining the effect of urban road system, due to urban development within cities. There are two aspect of accessibility :

- Relation to business user i.e transport cost and nearness to transport facilities and other supporting business create demand for land use at certain location. CBD is the best example of this criteria where the accessibility advantageous which offer profitmaking opportunities to land users and thus influence the level of rental and capital values of properties within the CBD.
- Relation to residential land use value where it depends on the accessibility and utility of certain location and of certain sites in particular such as travel time and cost related to distance from work, schools, entertainment and recreational facilities and non monetary factors such as peace and quiet, neighbours, fresh air, locational prestige and others.

Properties located along the ring road or major highways will be more accessible and rental rates will be higher. The traffic dispersal within the congested areas like Bangsar town centre (into single vehicle movement) will tend to spread out development activity. Commercial properties within this areas will be increased in values.

4.6 National Physical Plan (NPP)

The needs for comprehensive development plans for urban and rural development has long since been an outcry by most of land developers, speculators and among the government agencies that involve in land development. Planning has a vital effect on land values since the value of land in an urban context depends entirely on what can be built upon the land. The previous practice in planning is that no comprehensive development being outlined and most town plans are not up to date. This has resulted in developers falling into the mercy of ad-hoc decision in areas of out-dated planning and not showing the real value of the investment. Too often that National development is frustrated at State level (as land is state matter), urgent schemes delayed and essential developments are held up in land office or survey departments. The absence of adequate control and forward planning in these areas tends to aggravate the problem caused by the extensions of urban development and to contribute to the rapid rise in houses and land prices at the later date.

The formulation of National Physical Plan (NPP) will function as to:

- i. Strengthening national planning by providing a spatial dimension to national economic policies;
- ii. Coordinating sectoral agencies by providing the spatial expression to sectoral policies;
- iii. Providing the framework for regional, state and local planning; and
- iv. Providing physical planning policies.

The goal and objective of NPP is **the establishment of an efficient, equitable and sustainable national spatial framework to guide the overall development of the country towards achieving developed nation status by 2020**. Therefore with the goal that has to be achieved, the continuous planning guidelines in urban development would combat any problems arising, and thus the property market would be more stable in line with the population demand and expectation.

5 CONCLUSION

The implication of urban development is that, development will for the foreseeable future involve a mixture of rural, urban and its periphery areas. How can it be best organised and planned? The answer is via more distinction between adaptive and directive planning form national, state and local authority. With careful planning on urban expansions, growth of economic activities areas and development of new towns would initially increase the cost for more infrastructure works and by creating more employment to that area. However in the long run, the implications on real value of land and property will be made realised due to the demand and supply i.e market forces. The growing urbanisation results in fundamental changes in consumer lifestyle, living patterns and social habits.

On the other hand, the growing urbanisation would give a radical impact towards local authorities revenue and services to satisfy the consumers. While the growing awareness on sustainable development may give a positive impact for local authorities i.e development within city or the idea of compact cities would increase the number of household within the local authority territory and thus would generate more income due to increasing property values within city centre.

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